

PSC No: 120 - Electricity
New York State Electric and Gas Corporation
Initial Effective Date: October 30, 2005

Leaf No. 138
Revision: 1
Superseding Revision: 0

SERVICE CLASSIFICATION NO. 2 (Continued)

SPECIAL PROVISIONS: (Cont'd)

(f) Economic Incentives: (Cont'd)

(3) Economic Development Zone Incentive: (Cont'd.)

Rate for qualified kilowatt-hours, per kWh in all economic development zones designated after October 9, 1997 and on or before February 1, 1999:

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| For EDZI load qualifications on or after March 3, 1998 in the next two zones designated | \$.040 |
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| For EDZI load qualifications on or after March 3, 1998 in any additional zones designated | \$.0325 |
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| For EDZI load qualifications on or after March 3, 2000 | \$.040 |
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Rate for qualified kilowatt-hours, per kWh in any zones designated after February 1, 1999:

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| For EDZI Load qualifications on or after March 3, 2000 | \$.0325 |
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Customers who qualify, under the Economic Development Zone Incentive (EDZI) in Section 9 of the General Information section of this Schedule, to receive an incentive for load qualified on or after July 1, 2003 may select one of the following rate options, as specified in this Service Classification and Section 12, Customer Advantage Program, of this Schedule, for such qualified incented load: 1) NYSEG Fixed Price Option (FPO), 2) NYSEG Variable Price Option (VPO), or 3) ESCO Price Option (EPO).

Such customers will have their service bills reduced, for a term of ten (10) years following initial zone certification, beginning with the eligibility date on the zone certificate (unless the customer's initial zone certification(s) becomes invalid), by an incentive rate per kilowatt-hour for all qualified kilowatt-hours used thereunder. The incentive rate will be the equivalent of the applicable Transition Charge (NBC), as described in this Service Classification, less the ancillary service costs and NTAC components of the Transition Charge.

The incentive rate for such qualified load billed at EPO or VPO may change monthly due to the fluctuating Transition Charge. An Economic Incentive Rate (EIR) Statement setting forth the monthly incentive rates for each rate option will be filed with the Public Service Commission on not less than three (3) days' notice prior to the first day of each month. Such statement can be found at the end of this Schedule (PSC 120 - Electricity).

ISSUED BY: James A. Lahtinen, Vice President Rates and Regulatory Economics, Binghamton, New York